

## **DECISION MEMORANDUM**

**TO: COMMISSIONER KJELLANDER  
COMMISSIONER REDFORD  
COMMISSIONER SMITH  
COMMISSION SECRETARY  
LEGAL  
WORKING FILE**

**FROM: MATT ELAM**

**DATE: SEPTEMBER 19, 2014**

**SUBJECT: ADVICE NO. 14-04-E (AVISTA); RESIDENTIAL AND SMALL-FARM  
ENERGY RATE ADJUSTMENT CREDIT**

On July 30, 2014, Avista Corporation dba Avista Utilities (Avista) filed a Tariff Advice with the Commission to revise its Tariff Schedule 59 Residential and Farm Energy Rate Adjustment. In this Tariff Advice, Avista proposes that the rate credit be increased from the existing 0.245¢ per kilowatt-hour to 0.278¢ per kWh to be effective October 1, 2014. This change will coincide with its electric rate changes proposed in the Power Cost Adjustment (PCA) filing.

### **BACKGROUND**

This rate credit is designed to pass through to qualifying customers the Residential Exchange Program (REP) benefits Avista receives from the Bonneville Power Administration (BPA). The REP was designed to allow the residential and small-farm customers of investor owned utilities (IOUs) in the northwest to share in the benefits of the federal Columbia River Power System. Avista passes these benefits to its qualifying customers through a rate credit on monthly electric bills. The rate credit applies to residential and small-farm customers served under Schedules 1, 12, 22, 32, and 48.

On July 26, 2011, BPA adopted a Settlement Agreement that included the six IOU's, the three state commissions, BPA staff, and nearly all of the customer-owned utilities (COUs). The Settlement Agreement fixed over a 17-year period the total amount of REP benefits to be paid to

all IOUs. The fixed REP benefits are allocated to the different utilities based on each utility's relative qualifying load and Average System Cost (ASC).<sup>1</sup>

The Settlement Agreement also includes a "Lookback Adjustment" that reallocates benefits among the IOUs in response to two Ninth Circuit cases that overturned the 2000 settlement among BPA, IOUs, and consumer-owned utilities (COUs). After BPA calculates the ASC, it is further adjusted for the "Lookback Adjustment" to arrive at the final ASC. The adjustment reallocates the REP benefits away from IOUs who paid back relatively less of their "Lookback Amounts" to IOUs who paid back relatively more. Since BPA calculates the total amount of REP benefits every two years in conjunction with a BPA rate case, the ASC is the same as last year and will not change until next year.

The current rate includes changes from last year's agreement between Staff and the Company on the way REP benefits are allocated between Idaho and Washington. Specifically, it was agreed that REP benefits would be allocated based on each state's share of the qualifying load used by BPA. Staff and the Company also agreed to only include uncollectable expenses in the revenue conversion factor, which changed the way the revenue requirement is calculated for REP benefits.

## **THE TARIFF ADVICE**

The proposed increase in the rate credit reflects both the under-refunded balance relating to the existing rate credit, and a recent change BPA made to the distribution of REP benefits paid to each of the IOUs. Specifically, BPA recalculated the Portland General Electric (PGE) FY 2014-2015 ASC to remove the costs and loads attributable to a New Large Single Load (NLSL) served by PGE.<sup>2</sup> Consequently, this changed Avista's REP benefits even though the total amount of REP benefits paid under the 2012 REP Settlement Agreement remain the same.

Avista's share of the FY15 REP benefits is \$8.063 million. Of this, \$2.601 million, or 32.26% is allocated to Idaho customers. The under refunded balance for Idaho customers from the existing rate credit is \$0.771 million. This net benefit of \$3.372 million is then corrected for uncollectable expenses, which results in \$3.381 million of benefits to disburse.

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<sup>1</sup> When the ASC is higher than the PF Exchange rate, BPA purchases power from Avista at the higher ASC and, in turn, Bonneville agrees to sell Avista power at BPA's lower PF Exchange rate in an amount necessary to serve eligible customers.

<sup>2</sup> The Northwest Power Act prohibits the inclusion of costs to serve an NLSL in a utility's Average System Cost (ASC).

Avista proposes to disburse the REP benefits to Idaho customers from October 1, 2014 through September 30, 2015. The projected usage during that time period is 1,214,769,099 kWh, which leads to a rate credit of 0.278¢ per kWh. For a customer using 930 kWh per month, the new credit would result in a decrease in a monthly bill of \$0.33, or approximately 0.40%.

## STAFF ANALYSIS

Staff reviewed the Company's proposal to determine whether the REP benefits were calculated correctly. As part of its review, Staff confirmed the Company used the correct qualifying load to allocate REP benefits between the two states, and confirmed the correct revenue conversion factor was used to determine the proposed rate.

Avista asked for an effective date of October 1<sup>st</sup> in order to coincide with its electric rate changes proposed in the Power Cost Adjustment (PCA) filing. Staff believes the proposed credit amount of 0.278¢ per kWh is correctly calculated and recommends approval with an October 1, 2014 effective date.

## COMMISSION DECISION

Does the Commission wish to approve Avista's proposed change to its BPA residential and small-farm energy rate adjustment credit from the existing 0.245¢ per kWh to 0.278¢ per kWh effective October 1, 2014?

  
Matt Elam

Udmemos/Advice No. 14-04-E Avista Schedule 59 Dec Memo